



Mental Health Services Act Housing Program

Program Description

The Mental Health Services Act Housing Program (MHSA Housing Program) provides funding for the capital costs and operating subsidies to develop permanent supportive housing for persons with serious mental illness who are homeless, or at risk of homelessness, and who meet the MHSA Housing Program target population criteria.

Program Funds

- ◉ The initial funding for the MHSA Housing Program is \$400M
- ◉ Each County has its own planning estimate of MHSA Housing Program funds

Permanent Supportive Housing

- ⦿ Permanent Supportive Housing means housing with no limit on length of stay and that is linked to on-site or off-site services.
- ⦿ Services must help the tenant retain the housing, support recovery and resiliency, and maximize the ability to live and work in the community.

Target Population

The target population is defined as:

Adults or older adults with serious mental illness as defined by Welfare and Institutions Code Section 5600.3(b), or children and youth with severe emotional disorders as defined in Welfare and Institutions Code Section 5600.3(a), who are eligible for MHSA services in their county of residence and who are homeless or at risk of being homeless.

Target Population (continued)

Homeless is defined as:

- ⊙ living on the streets or,
- ⊙ lacking a fixed, regular, and adequate night time residence. (This includes shelters, motels and other temporary living situations in which the individual has no tenant rights.)

Target Population (continued)

At risk of being homeless includes the following:

- ⊙ transition-age youth exiting child welfare or juvenile justice systems;
- ⊙ individuals discharged from:
 - crisis and transitional residential settings;
 - hospitals, including acute psychiatric hospitals, psychiatric health facilities (PHF);
 - skilled nursing facilities (SNF) with a certified special treatment program (STP) for the mentally disordered;
 - mental health rehabilitation centers (MHRC);

Target Population (continued)

- ⊙ Individuals discharged from (continued):
 - city and county jails.
 - temporary placement in a residential care facility upon discharge from a hospital, skilled nursing facility, mental health rehabilitation centers or city and county jails.
- ⊙ Individuals who have been assessed and are receiving services at the County Mental Health Department, and who have been deemed to be at imminent risk of homelessness, as certified by the County Mental Health Director.

Housing Models

The MHSA Housing Program provides funding for both Rental Housing and Shared Housing Developments.

Shared Housing Developments are rented to and shared by two or more unrelated adults, each of whom is a member of the MHSA Housing Program target population.

A Shared Housing Development must:

- ◉ provide a separate lockable bedroom for each adult,
- ◉ ensure each adult tenant has a lease and is responsible for paying rent,
- ◉ be restricted for occupancy to members of the target population, and
- ◉ contain a kitchen and bathroom.

Housing Models (continued)

Rental Housing Developments are apartment buildings with 5 or more units.

A Rental Housing Development includes:

- ◉ both general occupancy buildings and special occupancy buildings,
- ◉ all units, including SRO units, shall include at a minimum, a sleeping area, bathroom and a kitchen area (sink, refrigerator, stove or cook top, an oven, a microwave, and counter space), and
- ◉ MHSA units restricted for occupancy by members of the target population.

Types of Rental Housing Developments

Single Population Development

A development in which all units are dedicated to housing the MHSA Housing Program target population. This includes all Shared Housing and some Rental Housing Developments.

“Mixed Population” Development

A Rental Housing Development in which 5 units, or 10% of the units, whichever is greater, are targeted to members of the MHSA Housing Program target population. In buildings with more than 100 units, at least 10 units must be restricted for members of the target population.

Funding Limits

- ◉ The MHSA Housing Program will fund one-third of the costs of a Rental Housing Development up to a maximum of \$100,000 per restricted unit.
- ◉ The MHSA Housing Program will fund the total cost for Shared Housing up to a maximum of \$100,000 per bedroom.
- ◉ Up to \$100,000 in a Capitalized Operating Subsidy per MHSA Housing Program restricted unit.

Predevelopment Loans

- ◉ Up to \$500,000 for Rental Housing Developments
- ◉ Up to \$200,000 for Shared Housing Developments
 - With a MHSA Housing Program permanent loan commitment,
 - Evidence of all other permanent financing commitments, and
 - Evidence of site control and evidence of appropriate zoning.

Terms

- Two years or until construction loan closing, whichever is sooner;
- 3% interest, deferred until construction loan closing and forgiven at construction loan closing.

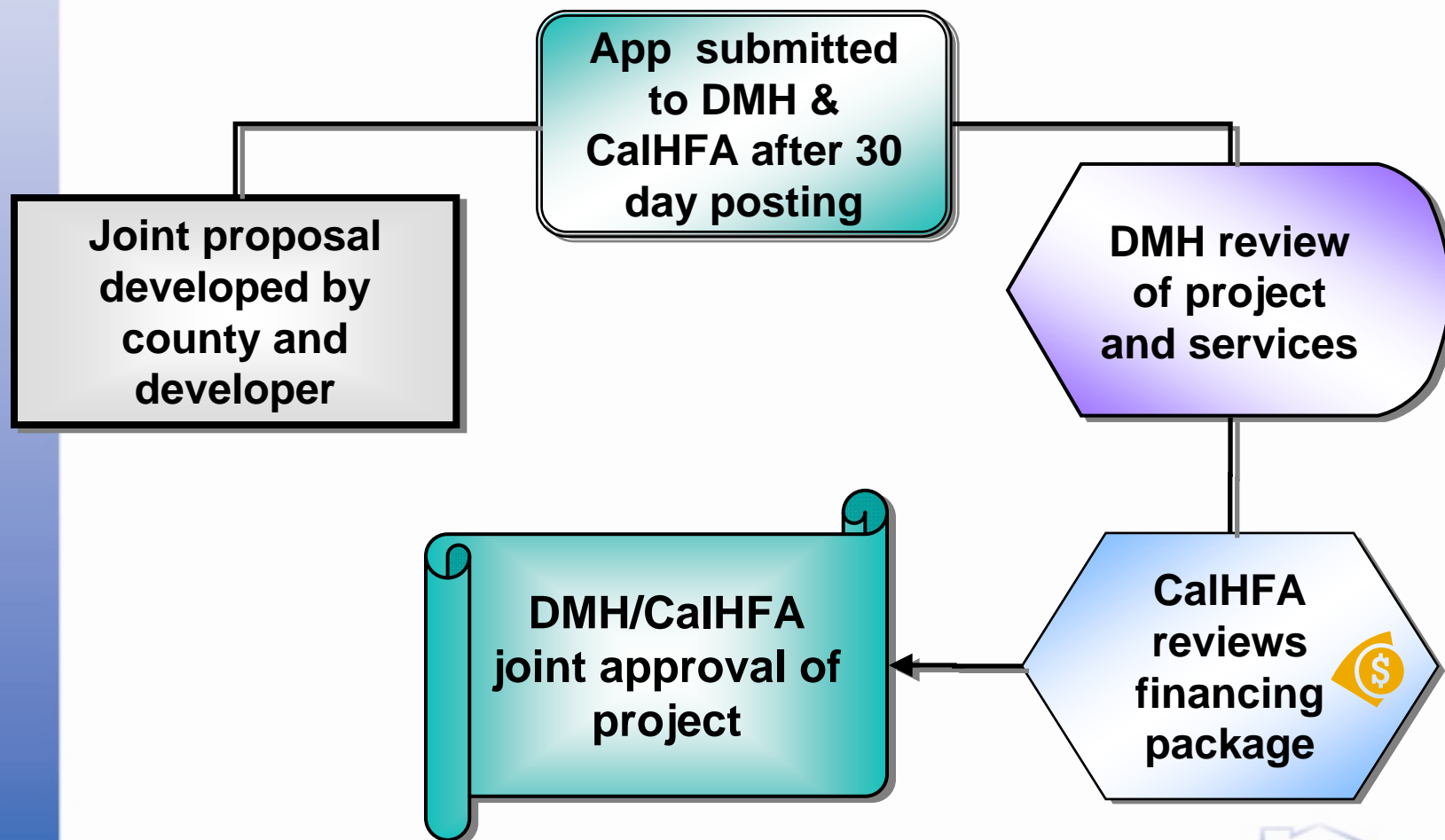
Capitalized Operating Subsidy Reserves

- ◉ Up to \$100,000 per MHSA Housing Program restricted unit for Rental Housing Developments.
- ◉ The maximum amount per Shared Housing Development will not exceed \$100,000 per unit (bedroom).
- ◉ Subsidy funds are only available for units that also receive permanent loans from the MHSA Housing Program.
- ◉ To receive a capitalized operating subsidy, the developer must apply for and be denied rental or operating subsidies from all other available and appropriate sources in at least one cycle.

Capitalized Operating Subsidies (continued)

- ◉ Capitalized operating subsidy funds may be used to cover the gap between rental income and operating costs of MHSA Housing Program targeted units.
- ◉ Capitalized operating subsidies will be sized to provide 18 to 20 years of subsidy, up to the \$100,000/unit cap.
- ◉ CalHFA will determine the amount of capitalized operating subsidy award a development receives based on the development's first-year operating budget, a two-and-one-half (2.5) percent annual income escalator, a three-and-one-half (3.5) percent annual cost escalator.

Application Flowchart



Application Process

- ◉ The MHSA Housing Program application is posted on the DMH and CalHFA websites. Please check for the most recent update.
- ◉ The application includes MHSA Housing Program-specific requirements.
- ◉ All applicants must submit a completed application with all attachments signed by developer and county DMH.
- ◉ Applications may be submitted on an ongoing basis to obtain funding.

Review & Evaluation of Applications

- ◉ DMH will evaluate all information submitted in Section D
- ◉ DMH has contracted with CalHFA to evaluate all information submitted in Sections A, B and C
- ◉ Review will take about 60 days from receipt of completed application (including receipt of missing items and responses to requests for additional information)
- ◉ DMH will indicate approval of Section D item to CalHFA. CalHFA's final approval will be made by their senior MHSA loan committee.
- ◉ After all approvals the final commitment will be issued by CalHFA

DMH Role

- ◉ DMH will contract with the County Mental Health Departments to transfer County funds to CalHFA for the MHSA Housing Program.
- ◉ DMH will promulgate final regulations regarding the MHSA Housing Program.
- ◉ DMH will evaluate each applicant's proposed target population and supportive service plan.
- ◉ DMH will monitor the ongoing provision of supportive services for the life of each loan.

CalHFA Role

- ◉ CalHFA will administer the real estate aspects of the MHSA Housing Program for DMH.
- ◉ CalHFA will underwrite requests for capital funds and capitalized operating subsidies.
- ◉ CalHFA will make loan commitments, close loans and execute and administer subsidy contracts.
- ◉ CalHFA will provide asset management services, including managing the capitalized operating subsidy disbursements, until the maturity of the loans.
- ◉ CalHFA will provide investment services of County MHSA Housing Program Funds.

County Mental Health Department Role

- ◉ Counties will work with qualified developers to identify developments which can house the MHSA Housing Program target Population, and identify the level of services required at the development.
- ◉ Counties will approve/apply for the use of their MHSA Housing Program funds for the development for capital loans and capitalized operating subsidies.
- ◉ Counties commit to providing supportive services to the target population, and support and services to the development for the full term of the MHSA Housing Program loan.

Local Review Process

- ◉ County Mental Health Departments must conduct 30-day MHSA local review process before submitting an application to DMH and CalHFA.
- ◉ They must circulate the following items:
 - Project Overview
 - D.1, Consistency with 3-Year Program and Expenditure Plan
 - D.2, Description of Target Population
 - D.3, Tenant Selection Plan
 - D.4, Supportive Services Plan
 - D.5, Supportive Services Chart

Local Review Process (continued)

- ◉ Submit D 16 as a part of the application
 - D.16 is the Summary and Analysis of Stakeholder Input
 - D. 16 provides documentation of local review/stakeholder process, including:
 - ◉ Description of methods used to circulate Project Overview and Items D.1 through D.5 for comment
 - ◉ Proof of circulation of Project Overview and Items D.1 through D.5
 - ◉ Description of any substantive changes made



Additional Program Requirements

Rental Limits

- ◉ Rents in MHSA Housing Program targeted units must be restricted to 30 percent of 50 percent or less of area median income (as adjusted by household size). This applies to all MHSA HP units.
- ◉ In units which receive MHSA HP Capitalized Operating Subsidies, the tenant portion of the restricted rent must be set at:
 - no lower than 30 % of the current Supplemental Security Income/State Supplemental Program (SSI/SSP) grant amount for a single individual living independently, or
 - 30 % of total household income, whichever is higher.

Income Limits

There are no income limits for MHSA Housing Units, just rental limits provided that:

- ◉ The MHSA tenant is a member of the target population.
- ◉ The unit qualifies for the California Welfare Tax exemption.

The unit can be income restricted by other funding sources.

Loan Terms

- ◉ A 1% fee on the permanent loan paid to CalHFA.
- ◉ An administrative fee of 0.42% of the outstanding principal balance shall be due and payable annually, paid to CalHFA.
- ◉ Interest and principal payments will be made from net cash flow (residual receipts).
- ◉ The interest rate on Rental Housing Developments and Shared Housing Developments will be fixed at 3%.
- ◉ The loan term for both Rental Housing Developments and Shared Housing developments shall be 20 years, or longer if required by other funding sources or if tax credits are involved

Qualified Borrowers

- ⦿ Borrowers with a track record of successful affordable housing development and a history of serving the target population.
- ⦿ Borrowers with a track record of successful affordable housing development with no history of serving the target population, but with a strong contract/MOU with a qualified service provider and property manager, and qualified consultants who have worked successfully with developers to house the target population.

Qualified Borrowers (continued)

- ◉ A qualified supportive services provider with a joint venture developer partner with a history of successful affordable housing development, who has entered into a contract/MOU with a qualified property manager, and has qualified consultants who have a history of working with similar joint venture partners to house the target population.
- ◉ A qualified supportive services provider with a qualified development team that has a history of successful development and that has entered into a contract/MOU with a qualified property manager.
- ◉ For a Shared Housing Development an appropriate agency of the county.

Borrowers Must Be

- ◉ A limited partnership (LP) (the managing general partner of the LP must be a 501(c)(3) corporation or a limited liability company (LLC) whose sole member or members are 501(c)(3) corporations),
- ◉ A 501(c)(3) corporation,
- ◉ A LLC whose sole member or members are 501(c)(3) corporations,
- ◉ An affiliate of a local redevelopment agency, local housing authority or the county created to hold properties financed with MHSA Housing Program funding, and
- ◉ Organized as either a single asset entity (in the case of a LP or LLC), or as a separate legal entity that only holds properties that have MHSA Housing Program funding, as appropriate.

Recent Changes in the Program Since the Application Was Posted August 6th, 2007.

- ◉ The CalHFA design guidelines originally posted have been replaced with new CalHFA design recommendations.
- ◉ Four Subsidy Calculators have been posted showing CalHFA's methodology for calculating operating subsidy reserves.
- ◉ The applicant will no longer need to have all of their discretionary local approvals when they apply for funding, but will need a plan to obtain them within a year of submitting their application and prior to funding.
- ◉ Permanent loan amounts will be adjusted each year by a 4.83% inflation factor starting on January 1, 2009.
- ◉ Capitalized Operating Subsidy shall be adjusted each year by a 4% inflation factor starting on January 1, 2009.



MHSA Funding Assumptions

Funding Assumptions - MHSA Shared Housing Capital Dollars

- ◉ It is not anticipated that Shared Housing will leverage amortizing debt.
- ◉ 1-4 unit buildings do not normally qualify for funding under any of the other state housing programs.
- ◉ Because of this, the Shared Housing program was designed as a stand alone program which could fund 100% of costs up to the MHSA Funding limits.
- ◉ In high cost areas, the MHSA funds may need to be combined with locality money to pay for 100% of capital costs.

Funding Assumptions – MHSA Rental Housing Capital Dollars

The MHSA Rental Housing Program was designed to work with:

- ◉ All funding sources typically used in financing affordable rental housing
- ◉ Amortizing debt, provided that the debt service payments are not made from MHSA Capitalized Operating Subsidies

Because of this the MHSA Rental Housing Program

- ◉ Requires that Developments leverage 2/3 of the costs of the MHSA units from other sources
- ◉ Will fund only 1/3 of the capital costs of an MHSA unit

Funding Assumptions – MHSA Rental Housing Capital Dollars - continued

We expect the MHSA capital dollars will:

- ◉ Substitute for the 1/3 of locality funds that are typically required to finance Rental Housing
- ◉ Provide a gap source for mixed population developments which are adding only the minimum number (5 to 10) MHSA units
- ◉ Provide a gap source in counties where it is expensive to develop.

Funding Assumptions – MHSA Rental Housing Capital Dollars - continued

Compatible programs include:

- ◉ HCD's MHP, Supportive Housing MHP, Transit Oriented Development and HOME (CalHFA, DMH and HCD have been meeting to resolve the conflicts between program regulations as they arise)
- ◉ Both 9% and 4% tax credits provided that the development meets tax credit requirements
- ◉ CalHFA's construction and special needs loan programs
- ◉ Local tax increment funding, and local trust fund dollars
- ◉ Additional County MHSA funds
- ◉ HOPWA
- ◉ Other Federal Funding (HUD 811, HUD 202, Home and CDBG) can be used but additional issues may need to be resolved. Because of this, federal funding should be used primarily in mixed population developments.

Funding Assumptions – MHSA Rental Housing Capital Dollars - continued

We expect to receive applications with:

- ◉ 9% tax credits, MHSA, HCD Supportive Housing MHP and, if required, locality funds
- ◉ 4% tax credits, MHSA and HCD Supportive Housing MHP or HCD MHP, and if needed locality funds
- ◉ Locality funds, MHSA and HCD Supportive Housing MHP or HCD MHP but not tax credits in smaller developments.
- ◉ Locality funds and MHSA
- ◉ HUD 811, MHSA and locality funds